

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0836-03  
Bill No.: SCS for SB Nos. 189, 217, 246, 252 & 79  
Subject: Economic Development; Taxation and Revenue - Income; Tax Credits  
Type: Original  
Date: March 23, 2011

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Bill Summary: This proposal modifies provisions of the Missouri Quality Jobs Act to allow benefits for projects located within dormant manufacturing plant zones.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
General Revenue	(Unknown greater than \$27,371,116)	(Unknown greater than \$27,381,306)	(Unknown greater than \$27,382,767)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown greater than \$27,371,116)</b>	<b>(Unknown greater than \$27,381,306)</b>	<b>(Unknown greater than \$27,382,767)</b>

**Note:** The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 22 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Park & Soil Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Conservation Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
MO Science & Innovation Reinvestment Fund*	\$0	\$0	\$0
Proof of Concept Technology Business Finance Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

\*Note revenue and costs net to zero.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
General Revenue	3 FTE	3 FTE	3 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### **Sections 30.750, 30.753, 30.756, 30.758, 30.760, 30.765, 30.865 & 640.150 Loan Assistance for Energy Efficiency Improvements**

Officials at the **Budget and Planning** assume this proposal would not directly impact general and total state revenues.

Officials from the **Department of Natural Resources (DNR)** assume this would allow for businesses who have conducted an energy audit within the last two years of their facility to be eligible for a low interest linked deposit loan to install energy efficiency equipment. Businesses could potentially lower their utility bills.

Sections 30.865 and 640.150.1.(6) of this proposal would require DNR to serve as a technical advisor and to review all loan application packages for eligible energy-saving enterprises and to provide the State Treasurer's Office with information regarding the potential energy savings associated with each project. In order to implement Sections 30.865 and 640.150.1.(6) of this proposal DNR would request: one Energy Engineer II to provide technical review and analysis of loan applications and project oversight; and one Energy Specialist III to conduct statewide monitoring activities of successful applicants.

The proposal does not identify a funding source; therefore, for purposes of this fiscal note, DNR has assumed that the fiscal impact would be to the General Revenue Fund.

**Oversight** assumes that it is unclear how many companies may be eligible for this program. Oversight assumes that DNR's existing staff can handle the implementation of this proposal. If DNR experiences a measurable increase in its workload as a direct result on this proposal, then it can request the additional FTE in future budget requests.

Officials at the **Department of Economic Development** assume that there is no fiscal impact from this proposal.

In response to similar legislation filed this year, SB 94, officials at the **Department of Agriculture** and the **Department of Higher Education** assume that there is no fiscal impact from this proposal.

**Oversight** assumes this proposal could increase the number of loans of this program but it is unknown how much. Oversight is showing the cost of the program as unknown.

ASSUMPTION (continued)

**Section 67.3000 Sporting event tax credit**

Officials at the **Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP. This proposal would allow \$10 million in tax credits annually in order to attract sporting events to Missouri. This proposal could therefore lower general and total state revenues up to this amount annually. This proposal may stimulate other economic activity, but BAP does not have data to estimate the induced revenues. The Department of Economic Development may have such an estimate.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials at the **Department of Economic Development (DED)** assume that the implementation of this tax credit program would result in the need for one additional FTE to administer the program. The FTE would be an Economic Development Incentive Specialist III and would be responsible for reviewing the tax credit applications to make sure they meet the criteria of the program, certifying the project, determining the geographic boundaries of the market area for the event, drafting and sending the tax credit awards and ensuring compliance with the program. The related costs for this FTE include one-time expenditures for systems furniture, a side chair, file cabinet, calculator and telephone and recurring costs for office supplies, computer, professional development and travel.

The cap for this new tax credit is \$10 million so there would be a negative impact to total state revenue. However, there would be an offset of unknown short-term positive economic benefits as a result of this increase, so the exact amount of the impact cannot be determined.

ASSUMPTION (continued)

**Oversight** assumes DED's estimate of expense and equipment cost for the new FTE could be overstated. If DED is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly \$6,400.

Officials at the **Department of Revenue** assume the department will need to make form changes and programming changes to various tax systems.

**Oversight** compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 85 percent to 106 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 95 percent of tax credits issued. Therefore, if \$10 million credits are issued, Oversight would assume \$9,500,000 credits would be redeemed.

**Oversight** will range the fiscal impact of the programs from \$0 (no additional tax credits will be issued) to the annual limit of \$10 million.

**Sections 144.062 and 144.540 Sales Tax Exemption**

Officials at the **Budget and Planning (BAP)** assume the sales tax incentives allow DED to provide any qualified IT company with state sales tax exemptions and local governments may provide similar incentives. These provisions will not impact current general and total state revenues, but may result in forgone revenue in the future. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues.

Officials at the **Department of Economic Development (DED)** assume DED is responsible for approving the company for the exemptions. This duties can be absorbed.

Officials at the **Department of Revenue (DOR)** assume DED and DOR will jointly prescribe such rules and regulations necessary to carry out the provisions of this section.

Officials at the **Department of Natural Resources** assume adding additional sales tax exemptions would decrease the amount of funding available in the Parks & Soils Sales Tax Funds. These funds have been used for the acquisition and development, maintenance and operation of state parks and historic sites and to assist agricultural landowners through voluntary programs. The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution.

ASSUMPTION (continued)

Therefore, any additional sales tax exemption would be an unknown loss to the Parks and Soils Sales Tax Funds.

**Oversight** will indicate an unknown loss of revenue for the state General Revenue Fund, an unknown loss of revenue for those other state funds which receive sales tax revenues, and an unknown loss of revenue for local governments from the sales tax exemption.

**Sections 196.1115, 348.250, 348.251, 348.256, 348.261, 348.262, 348.263, 348.264, 348.265, 348.269, 348.271 Missouri Science and Innovation Reinvestment Act**

Officials at the **Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP. BAP has identified the following sections which may have budget or revenue implications:

196.1115.3 - Makes the MTC the administrative agent of the LSRB.

348.251.1 --- Definitions, in particular (3) "Base Year" is Fiscal Year 2011.

348.256.10 - The MTC may employ needed staff. Corporation employees shall be eligible to participate in MOSERS and MCHCP, but are not considered state employees. BAP assumes these costs will be borne by the MTC, by either the Missouri Science and Innovation Reinvestment Fund, or other funding available to MTC. BAP defers to DED /MTC for any estimated costs.

348.261(1, 14-16) - MTC may expend monies in the science and innovation fund as necessary to fulfill its mission, including developing a proof-of-concept finance program, an angel investment finance program, and a venture capital co-investment fund.

348.263.3-5 --- The corporation is subject to open records laws, except as otherwise provided.

348.264 - The Missouri Technology Investment Fund is renamed the Missouri Science and Innovation Reinvestment Fund.

348.265.1:

At the end of each fiscal year, DED and DOR shall determine the growth in gross wages of Science and Innovation companies, as defined in this proposal by NAICS codes, as well as companies that DED and DOR may identify as qualifying organizations. They shall compare these wages to wages earned during the base year (FY 11), and the growth shall be reported to the Governor and General Assembly.

Based on data supplied to BAP by DED, BAP estimates that wage growth in these industries averages \$200M per year, but could vary substantially. The applicable percentage and calculated transfer is presented in the table below.

This transfer is subject to appropriation.

ASSUMPTION (continued)

BAP notes that base year wages are not adjusted for inflation in this proposal. Because there is no inflationary adjustment, this could result in the redirection of normal increases in income tax growth from the General Revenue Fund into the new fund.

Officials at the **Department of Revenue (DOR)** assume this proposal requires DOR to assist the Department of Economic Development (DED) to establish the base year gross wages paid by science and innovation companies to their employees and report that amount to the corporation, the governor, and the general assembly. Within 180 days after the end of each fiscal year beginning with fiscal year 2011, DED with the assistance of DOR will be required to determine and report to the governor and the general assembly the amount by which aggregate science and innovation employee's gross wages for the fiscal year exceeds the base year gross wages.

Personal Tax would need the following:

One Management Analyst Specialist I (Range 23, Step N) for reporting purposes to work with the Department of Economic Development to establish a base year and report out each year the amounts that exceeds the base year.

The Department has access to a third party database (Info USA) that may have the potential to drill down to the employee level using NAICS codes. However, this data is up to three years old. A refresh of that data costs \$50,000.

**Oversight** assumes that since DOR is to assist DED on this project that the duties can be absorbed with existing staff and resources.

Officials at the **Department of Economic Development** assume the following in calculating the state impact:

1. Relevant gross wage data was provided by MERIC.
2. Calculate the most immediate preceding 3 years of average annual increase in gross wages for MOSIRA NAICS as outlined in proposed legislation.
3. Assume that the average annual growth of gross wages for the past 3 years is a reasonable proxy of growth for the next 3 years into the future.
4. Apply the MOSIRA specified 6% "applicable percentage" for each year of growth (note that because the base year does not change each year the "applicable percentage" is applied to the total growth off the base year in each successive year, hence the larger number each year).
5. Estimated total fiscal impact is calculated:
  - FY13 - \$4,458,161
  - FY14 - \$8,916,322
  - FY15 - \$13,374,483

JH:LR:OD



ASSUMPTION (continued)

Officials at the **Missouri Consolidated Health Care Plan (MCHCP)** assume the fiscal impact on MCHCP is the product of the predicted membership magnitude of Missouri Technology Corporation (MTC) and the estimated net payment per active employee per year. MCHCP assumes the health status of MTC subscribers and their number of dependents per subscriber is similar to MCHCP's existing active employee population. Net payments for active employee subscribers are approximately \$9,727 per subscriber per year based on 2011 estimates. Eventually, MTC would have retirees covered under their medical plan. Again, assuming the health status of MTC retirees and their number of dependents per subscriber is similar to MCHCP's existing retiree population; net payments for retiree subscribers are approximately \$7,776 per subscriber per year based on 2011 estimates.

**Oversight** assumes that if the employees of the authority are allowed to join MCHCP, the contribution costs would be borne by the authority and not the State.

Officials from the **Missouri State Employees Retirement System (MOSERS)** stated in order to participate in MOSERS, compensation must be paid by a "department" as defined in section 104.1003, RSMo (which includes an agency of the executive, legislative, or judicial branch and a body corporate or politic whose employees are eligible for MOSERS' coverage by law). The Missouri Technology Corporation is not a department under that definition and, therefore, the compensation paid to employees would not be included for retirement purposes.

**Oversight** assumes that if the employees of the authority are allowed to join MOSERS, the contribution costs would be borne by the authority and not the State.

In response to similar legislation filed this year, SB 79, officials at the **University of Missouri** assume this bill would have a positive fiscal impact comparable to other mid-western states that have implemented similar programs.

In response to similar legislation filed this year, SB 79, officials at the **Department of Labor and Industrial Relations** assume that there is no fiscal impact from this proposal.

Officials at the **Office of the State Treasurer** assume that there is no fiscal impact from this proposal.

**Oversight** is showing the cost to the General Revenue Fund as being unknown greater than \$1,000,000.

ASSUMPTION (continued)

**Section 348.268 Proof of Concept**

Officials at the **Budget and Planning (BAP)** assume this proposal creates a Proof of Concept Loan Program. Loans totaling up to \$1.25 million each year may be issued to qualifying companies. These loans must be repaid within five years. This program may encourage other economic activity, but BAP does not have an estimate of the induced revenues. DED may have such an estimate.

Officials at the **Department of Economic Development (DED)** assume the proposed legislation creates the Proof of Concept Loan Program, subject to appropriation, with an annual cap of \$1,250,000 to be administered by the Missouri Technology Corporation(MTC). The funds are to be used by the MTC to make one-time loans to early stage advanced technology companies. DED assumes an offset of unknown positive economic benefits as a result of the economic activity generated by the program, therefore, the exact amount of the impact cannot be determined. MTC anticipates an impact as a result of the proposed legislation; however, is unable to determine the exact impact of the proposed legislation. The proposed legislation requires DED to determine the average county wage, however, it is assumed this portion of the legislation will have little to no fiscal impact.

**Oversight** assumes the administration of this program can be absorbed with existing staff.

**Oversight** has show the transfer from general revenue to the Proof of Concept Technology Business Finance Program Account of \$0 (no appropriation) to the cap of \$1,250,000 of the loans made in one year. Oversight assumes all money received in the Proof fund will be used each year for loans.

In response to similar legislation filed this year, SB 248, officials at the **University of Missouri** assume this bill would have a positive fiscal impact on the University, particularly in the areas of technology transfer and research and economic development. The University has initiated a similar program internally and it has been quite successful thus far. An expansion of this type of initiative statewide will create a positive fiscal impact for the State.

Officials at the **Department of Higher Education** and the **Office of the State Treasurer** assume that there is no fiscal impact from this proposal.

**Sections 348.273 & 348.274 Equity Investment Tax Credit**

Officials at the **Budget and Planning (BAP)** assume this proposal creates a tax credit program to encourage equity investments in early stage technology companies. The total amount of tax

ASSUMPTION (continued)

credits cannot exceed \$5 million or the amount appropriated. Therefore, this proposal may reduce general and total state revenue up to \$5 million.

Officials from the **Department of Economic Development (DED)** state their Business and Community Services would need for one additional FTE and related costs to administer the program. This FTE would be an Economic Development Incentive Specialist III and would be responsible for reviewing and approving the Qualified Missouri Businesses, reviewing the tax credit applications to make sure they meet the criteria of the program and completing an annual report. The legislation allows for reasonable costs of the administration of the program to be reimbursed through fees paid by the Qualified Missouri businesses; therefore DED anticipates the cost of the FTE would be offset by the collected fees. DED assumes the total cost of the FTE to be roughly \$60,576 per year.

The tax credit is subject to appropriation, however the new program has a not-to-exceed cap of \$5 million per tax year. The tax credits may be carried forward for the next 3 consecutive tax years and may be sold, assigned and transferred. DED anticipates an offset of unknown positive economic benefits as a result of the tax credit program and the economic activity generated by the program, so the exact amount of the impact cannot be determined.

**Oversight** assumes DED's estimate of expense and equipment cost for the new FTE could be overstated. If DED is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly \$6,450.

**Oversight** has shown for the purpose of the fiscal note that the amount of the fee collected from the businesses to equal the FTE costs of DED. This proposal states the cost of the administration of this program shall be reimbursed through fees paid by the qualified Missouri businesses.

Officials at the **Department of Revenue (DOR)** assume they will need to make form changes and programming changes to various processing systems.

**Oversight** compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 85 percent to 106 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 95 percent of tax credits issued. Therefore, if \$5 million credits are issued, Oversight would assume \$4,750,000 credits would be redeemed.

ASSUMPTION (continued)

**Oversight** will range the fiscal impact of the programs from \$0 (no tax credits issued) to the annual limit of \$5 million.

**Section 620.1039 Qualified Research Tax Credit**

Officials from the **Budget and Planning (BAP)** assume this proposal creates a new Research Tax Credit for certain animal research activities. The proposal is capped at \$10 million annually. BAP notes that \$1.6 million in research credits were redeemed in FY 2005. Therefore, this proposal may annually reduce general and total state revenues by \$1.6 million to \$10 million annually, beginning in FY12. This proposal may encourage other economic activity, but BAP cannot estimate the induced revenues. The DED may have such an estimate.

Officials from the **Department of Economic Development (DED)** state their Business and Community Services would need for one additional FTE and related costs to administer the Qualified Research Expense Tax Credit Program. This FTE would be an Economic Development Incentive Specialist III and would be responsible for reviewing the tax credit applications to make sure they meet the criteria of the program, drafting and sending the tax credit awards and ensuring compliance with the program. The annual cap for this tax credit is \$10 million; however, DED assumes an Unknown impact over \$100,000 to total state revenue as a result of the proposed legislation. There would be an offset of unknown positive economic benefits as a result of this increase and the re-establishment of the program and the economic activity generated by the program, therefore, the exact amount of the impact cannot be determined.

DED assumes the total cost of the FTE to be roughly \$60,564 per year.

**Oversight** assumes DED's estimate of expense and equipment cost for the new FTE could be overstated. If DED is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly \$6,450.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted

ASSUMPTION (continued)

by tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials from the **Department of Revenue** assume that there is no fiscal impact from this proposal.

**Oversight** compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 85 percent to 106 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 95 percent of tax credits issued. Therefore, if \$10 million credits are issued, Oversight would assume \$9,500,000 credits would be redeemed.

**Oversight** will range the fiscal impact of the programs from \$0 (no additional tax credits will be issued) to the annual limit of \$10 million.

**Sections 620.1878 & 620.1881 Missouri Quality Jobs Tax Credit**

Officials at the **Budget and Planning (BAP)** assume this proposal expands eligibility under the Quality Jobs Program to include developments in “dormant manufacturing zones”. The proposal does not modify the existing caps on the MQJ program. To the extent this proposal increases participation in the program, this proposal may reduce general and total state revenues. This proposal may encourage other economic activity, but BAP cannot provide an estimate of induced revenues. The DED may have such an estimate.

Officials at the **Department of Economic Development (DED)** assumes an unknown fiscal impact over \$100,000. DED anticipates an increase in the number of applications to review and process; however, the tax credit program cap remains unchanged. DED assumes there would be an offset of unknown positive economic benefits as a result of the program expansion, therefore the exact amount of the impact cannot be determined.

Officials at the **Department of Revenue** assume that there is no fiscal impact from this proposal.

ASSUMPTION (continued)

**Oversight** assumes that the expansion of the definition of eligible projects under the Quality Jobs Program will not have a direct effect on general revenue as the cap for the program remains unchanged.

Bill as a Whole

Officials at the **Department of Revenue** assume their response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the department's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at \$102,396 which is 3,864 FTE hours.

Officials at the **Department of Elementary and Secondary Education** assume that tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students.

Officials at the **Parkway School District** assume any additional tax credits or exemptions will negatively affect revenues available for public education, but no estimate is available at this time.

Officials at the **St. Louis County** assume the MOSIRA and dormant manufacturing plant language may have positive long-term benefit from a revenue standpoint, but they are not calculable.

Officials at the **City of Raytown, City of St. Robert, Department of Agriculture, Department of Higher Education, Office of the State Auditor** and the **Office of the State Treasurer** assume that there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding

ASSUMPTION (continued)

for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

**Oversight** assumes the creation of new programs and the changes to existing programs in this proposal would have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposals and will not reflect them in the fiscal note.

**This proposal could reduce Total State Revenues.**

<u>FISCAL IMPACT</u> - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>GENERAL REVENUE</b>			
<u>Revenue</u> - fee collected to cover all administration expenses (348.273)	\$60,576	\$65,674	\$66,406
<u>Cost</u> - Dept of Natural Resources Energy saving incentive program (30.750)	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - Tax credit for attracting sporting events to Missouri (67.3000)	\$0 to (\$10,000,000)	\$0 to (\$10,000,000)	\$0 to (\$10,000,000)
<u>Loss</u> - sales tax exemption (144.062- 144.540)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Costs</u> - DED (620.1039, 348.273 & 67.3000)			
Personal Service	(\$100,530)	(\$121,842)	(\$123,060)
Fringe Benefits	(\$52,617)	(\$63,771)	(\$64,410)
Expense and Equipment	(\$28,545)	(\$11,367)	(\$11,703)
<u>Total Costs</u> - DED	(\$181,692)	(\$196,980)	(\$199,173)
FTE Change - DED	3 FTE	3 FTE	3 FTE

<u>Transfer Out</u> - to general revenue of the taxes from new employees in new businesses (196.1115)	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)
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<u>Transfer Out</u> - General Revenue to proof of concept fund (348.268)	(\$0 to \$1,250,000)	(\$0 to \$1,250,000)	(\$0 to \$1,250,000)
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<u>Loss</u> - tax credit for investments in technology based early stage MO companies (348.273)	\$0 or (\$5,000,000)	\$0 or (\$5,000,000)	\$0 or (\$5,000,000)
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<u>Loss</u> - Qualified Research tax credit (620.1039)	<u>\$0 to (\$10,000,000)</u>	<u>\$0 to (\$10,000,000)</u>	<u>\$0 to (\$10,000,000)</u>
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(Unknown greater than \$27,371,116)</u></b>	<b><u>(Unknown greater than \$27,381,306)</u></b>	<b><u>(Unknown greater than \$27,382,767)</u></b>
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#### **PARK AND SOIL FUND**

<u>Loss</u> - sales tax exemption (144.062-144.540)	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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<b>ESTIMATED NET EFFECT ON PARK AND SOIL FUND</b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>
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#### **CONSERVATION FUND**

<u>Loss</u> - sales tax exemption (144.062-144.540)	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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<b>ESTIMATED NET EFFECT ON CONSERVATION FUND</b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>
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**MISSOURI SCIENCE AND  
 INNOVATION REINVESTMENT  
 FUND**

<u>Transfer In</u> - taxes from new employees in the new businesses (196.1115)	Unknown greater than \$1,000,000	Unknown greater than \$1,000,000	Unknown greater than \$1,000,000
<u>Costs</u> - expenditures made by the MTC	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)

**ESTIMATED NET EFFECT TO THE  
 MISSOURI SCIENCE AND  
 INNOVATION REINVESTMENT  
 FUND**

**\$0**                      **\$0**                      **\$0**

**PROOF OF CONCEPT  
 TECHNOLOGY BUSINESS  
 FINANCE FUND**

<u>Transfer In</u> - Proof Fund			
Transfer from general revenue	\$0 to \$1,250,000	\$0 to \$1,250,000	\$0 to \$1,250,000
<u>Transfer Out</u> - Proof Fund			
Loans to qualifying companies	(\$0 to \$1,250,000)	(\$0 to \$1,250,000)	(\$0 to \$1,250,000)

**ESTIMATED NET EFFECT ON  
 PROOF OF CONCEPT  
 TECHNOLOGY BUSINESS  
 FINANCE FUND**

**\$0**                      **\$0**                      **\$0**

**Note: This does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

FISCAL IMPACT - Local Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>SCHOOL DISTRICT FUNDS</b>			
<u>Loss</u> - sales tax exemption (144.062-144.540)	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUNDS</b>	<b><u>\$0 to</u> <u>(Unknown)</u></b>	<b><u>\$0 to</u> <u>(Unknown)</u></b>	<b><u>\$0 to</u> <u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

Small businesses who qualify for the tax credits may benefit.

FISCAL DESCRIPTION

This act adds businesses seeking to make energy improvements as an additional eligible recipient of the low-interest loans available through the State Treasurer's linked deposit loan program. The act directs the Department of Natural Resources to serve as a technical advisor and review each such loan application received by the State Treasurer's office and provide information to the Treasurer's office about the potential energy savings associated with each project. The State Treasurer shall give funding priority to projects with the greatest energy savings. A copy of an energy audit is a required part of the linked deposit loan application. (Sections 30.756 to 30.865 and Section 640.150)

The act creates a refundable income and financial institutions tax credit which will be available for sports commissions, convention and visitors bureaus, certain nonprofit organizations, counties, and municipalities to offset expenses incurred in attracting sporting events to the state. Applicants for the tax credit must submit game support contracts to the Department of Economic Development for approval. The tax credit will be equal to the lesser of fifty percent of the incremental increase in sales and use tax revenues attributable to such event or one hundred percent of eligible expenses incurred. No more than ten million dollars in tax credits may be issued per fiscal year. Of the ten million dollars in tax credits available each fiscal year, no more than eight million dollars in tax credits will be available for all sporting events held in the City of St. Louis and any counties with a population in excess of three hundred thousand inhabitants. The tax credits are fully transferrable, provided a notarized endorsement is filed with the Department of Economic Development. The Department of Economic Development is prohibited from certifying game support contracts after August 28, 2017, but may certify game support contracts prior to such date which pertain to games to be held after August 10, 2017.

JH:LR:OD

FISCAL DESCRIPTION (continued)

(Section 67.3000)

Information technology companies, which create a minimum of twenty new jobs with an average wage equal to or exceeding ninety percent of the county average wage, will be eligible to receive up to three years of state and local sales tax exemption for purchases of tangible personal property and building materials used to construct, repair, or remodel a project facility. Information technology businesses may also receive up to five years of state and local sales tax exemptions for utilities and telecommunications services purchased for use at the project facility. The department of economic development will certify information technology companies for the state sales tax exemptions while local governments will have the option to certify such companies for exemptions from their local sales taxes. The act contains recapture provisions requiring repayment of tax incentives in the event an information technology company fails to meet program requirements. (Sections 144.062 and 144.810)

The act establishes the Missouri Science and Innovation Reinvestment Act. The act requires the advise and consent of the Senate for Gubernatorial appointments to the Missouri Technology Corporation's board of directors and sets the terms and requirements for the various members of the board of directors. The powers and duties of the Missouri Technology Corporation are expanded to allow the corporation to assume all monies and assets of the Missouri Seed Capital Investment Board and to establish a proof of concept finance program, an angel investment finance program, and a venture capital co-investment fund. The act provides application, approval, and reporting requirements for programs established by the Missouri Technology Corporation. In addition to the exceptions to open records and meetings requirements provided under the Sunshine Act, the act authorizes the Missouri Technology Corporation to close certain meetings and records held by the corporation. The directors of the department of economic development and the department of revenue must annually determine the incremental increase in gross wages paid within the state to science and innovation employees and apply a formula to such amount to determine the amount of funding necessary to administer the programs of the corporation. Once a determination is made, the directors of the department of economic development and the department of revenue must report their findings to the Governor and the General Assembly. The act replaces the Missouri Technology Fund with the Missouri Science and Innovation Reinvestment Fund, which will receive annual appropriations made by the General Assembly, based upon recommendations made by the directors of the departments of economic development and revenue, and contributions made by private entities, the federal government, and local governments. The act requires that any contract entered into between the corporation and any not-for-profit organization must provide at least a one hundred percent match of funding received from the corporation. (Sections 196.1115, 348.250 to 348.265, 348.269 and 348.271)

JH:LR:OD

FISCAL DESCRIPTION (continued)

The act establishes the proof of concept business finance program to be administered by the Missouri Technology Corporation. The program will provide one-time loans to eligible advanced technology companies which must be repaid within five years of the date of the loan in an amount equal to two times the amount of the loan. Early repayment will result in a proration of the repayment amount. No more than one million two hundred fifty thousand dollars will be made available for loans to advanced technology companies each fiscal year. Loans made under the program cannot exceed seventy-five thousand dollars per eligible advanced technology company and must be leveraged dollar-for-dollar by additional equity investment in the company. Loan proceeds may be used by eligible advanced technology companies for intellectual property development, building prototypes, market studies, identifying and securing a management team, and business operations. (Section 348.268)

Subject to appropriation, the department of economic development is allowed to authorize tax credits encourage equity investment in technology-based early stage Missouri companies, commonly referred to as angel investments. Investors who contribute the first five hundred thousand dollars in equity investment to a qualified Missouri business may be issued a tax credit in the year in which the investment is made. Annual authorizations of the tax credits will be limited to the lesser of the amount appropriated by the general assembly or five million dollars. The tax credits will be equal to thirty percent of the investment. Investors are prohibited from receiving more than fifty thousand dollars in tax credits for a single investment or more than one hundred thousand dollars for investments in more than one qualified business per year. Tax credits for equity investment in technology-based early stage Missouri companies may be carried forward for up to three years or transferred. (Sections 348.273 and 348.274)

The act modifies provisions of the Missouri Quality Jobs Act to allow projects located within dormant manufacturing plant zones to receive benefits under the program. A project located within a dormant manufacturing plant zone will be capable of receiving benefits as a small and expanding business project if it creates at least ten jobs with an average wage for the new payroll equal to or in excess of eighty percent of the county average wage. The wage requirements for eligibility to receive benefits as a "technology business project" or "high impact project" are also modified to allow dormant manufacturing zone projects to receive benefits if the payroll for the new jobs created equals or exceeds eighty percent of the county average wage. (Sections 620.1878 and 620.1881)

The act modifies provisions of law which authorize a tax credit for qualified research expenses. The tax credit is limited to research expenses incurred in the research and development of agricultural biotechnology and plant genome products, and prescription pharmaceuticals consumed by animals. The act modifies the time-line for application and issuance of tax credits

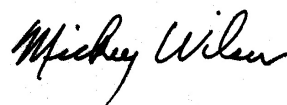
FISCAL DESCRIPTION (continued)

under the program. Under current law, no qualified research expense tax credits may be approved, awarded or issued after January 1, 2005. This act removes the prohibition on approval and issuance of tax credits and increases the annual tax credit cap from nine million seven hundred thousand to ten million dollars. The director of the department of economic development may allow taxpayers to transfer, sell, or assign up to forty percent of tax credits between January 1, 2011 and December 31, 2017, provided such taxpayer files an application providing certain information regarding such transfer. In the event the amount of claims for tax credits exceed the annual cap, the act provides a method for pro rating issuance of tax credits.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning  
City of Raytown  
City of St. Robert  
Department of Agriculture  
Department of Economic Development  
Department of Elementary and Secondary Education  
Department of Higher Education  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Labor and Industrial Relations  
Department of Natural Resources  
Department of Revenue  
Missouri Consolidated Health Care Plan  
Missouri State Employees' Retirement System  
Office of the Secretary of State  
Office of the State Auditor  
Office of the State Treasurer  
Parkway School District  
St. Louis County  
University of Missouri



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Mickey Wilson, CPA  
Director  
March 23, 2011

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